

The Honorable James L. Robart

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON

MICROSOFT CORPORATION, a Washington  
corporation,

Plaintiff,

v.

MOTOROLA, INC., MOTOROLA MOBILITY,  
LLC, and GENERAL INSTRUMENT  
CORPORATION,

Defendant.

NO. C10-1823-JLR

NONPARTY INTERNATIONAL  
BUSINESS MACHINES  
CORPORATION'S MOTION FOR A  
LIMITED SEALING ORDER

NOTE ON MOTION CALENDAR:  
NOVEMBER 9, 2012

International Business Machines Corporation ("IBM") submits this motion supporting Motorola's motion to seal and independently requesting an order sealing reference either in documentary or testimony form to payment terms and the duration of the license grant relative to IBM's license agreement with Motorola and its affiliates. There are compelling reasons for a narrowly tailored sealing of this information. IBM supports this motion with the Declaration of Kenneth King, filed herewith.

Motorola recently informed IBM that it intends to use a trial exhibit and/or demonstrative which includes a summary of a 2011 license agreement between Motorola Mobility Holdings, Inc. and IBM. Further, IBM was told that this license agreement may be used as a trial exhibit. There also may be offered testimony regarding this licensing relationship.

1 IBM considers the payment terms associated with the 2011 license agreement and the  
2 term, or duration, of that agreement to be confidential and trade secret information. IBM has  
3 done nothing to put that information at issue in this case where it is not a party. Therefore, IBM  
4 requests an order redacting and sealing the portion of any exhibits or demonstratives which states  
5 or references the payment terms and duration of the IBM license agreement. Because IBM is a  
6 non-party and does not have access to the exhibits or demonstratives, IBM seeks this order to  
7 require the parties to make these redactions to their summary exhibits and demonstratives. If the  
8 license agreement itself is offered, it should be redacted and sealed in part. If the parties do not  
9 offer this exhibit IBM does not want to make the license part of the public record. Therefore, if  
10 and when the parties determine they will actually use the license as an exhibit, a proposed  
11 redacted copy of the license will be submitted.

12 IBM also requests that to effectuate the sealing described above the courtroom be closed  
13 when argument on this topic, testimony, or these exhibits is discussed.

14 There are compelling reasons for sealing this commercially sensitive information. Public  
15 disclosure of the payment terms and duration of IBM's license agreements would negatively  
16 impact IBM in future license and settlement negotiations by giving potential licensees the ability  
17 to derive IBM's methodology for valuing its portfolio and those portfolios held by others. King  
18 Decl. ¶¶ 4-5. The amount of the payment is a significant data point toward reverse engineering  
19 IBM's pricing methodology. *Id.* This is true regardless of amount.

20 IBM has had for decades, and continues to have, an active and substantial program of  
21 licensing and selling patents and other types of Intellectual Property. This includes entering into  
22 patent cross license agreements with third parties, under which each party grants to the other  
23 licenses under its patent portfolio as it relates to the other party's business activities. Such cross  
24 licenses can include balancing payments from one party to the other to account for differences in  
25 the size and relevance of the respective patent portfolios. *Id.* at ¶ 3.  
26

1 In the industry, the balancing payment in a cross license agreement may be based on a  
 2 number of factors, which may include: the breadth of the license granted; the size, strength and  
 3 age of the respective patent portfolios; the relevant product and service revenue of the parties;  
 4 and the extent to which the parties may already have patent coverage. IBM's particular pricing  
 5 methodology for computing the balancing payments, reflecting the exact factors IBM relies upon  
 6 and how it weights those factors, is trade secret information. Competitors and potential  
 7 counterparties to licensing and settlement agreements would gain an unfair insight into IBM's  
 8 analyses, particularly as IBM would know nothing about their competitors' methodology for the  
 9 negotiations. *Id.* at ¶¶ 4-5. By using their knowledge of the precise substantive terms of this  
 10 previously nonpublic agreement, this unfair advantage would allow competitors to calibrate their  
 11 negotiation strategies to the detriment of IBM. *Id.*

12 Accordingly, license agreements have been consistently held by courts to meet the  
 13 "compelling reasons" standard of the Ninth Circuit. *See, e.g., Elec. Arts, Inc. v. United States*  
 14 *Dist. Court for the N. Dist. of Cal.*, 298 Fed. App'x. 568, 569 (9th Cir. 2008) (pricing terms,  
 15 royalty rates, guaranteed minimum payment terms of licensing agreement constituted trade  
 16 secret); *Powertech Tec., Inc. v. Tessera, Inc.*, 2012 U.S. Dist. LEXIS 75831, at \*5 (N.D. Cal.  
 17 May 31, 2012) (compelling reasons to seal license agreement). *See In re Adobe Sys., Inc. Secs.*  
 18 *Litig.*, 141 F.R.D. 155, 161-62 (N.D. Cal. 1992) (under-seal filings preserve third parties'  
 19 "legitimate expectation that confidential business information, proprietary technology and trade  
 20 secrets will not be publicly disseminated"). These trade secret terms meet the standard set out by  
 21 *Kamakana v. City and Cnty. of Honolulu*, 447 F.3d 1172, 1178-79 (9th Cir. 2006). "In general,  
 22 'compelling reasons' . . . exist when such 'court files might have become a vehicle for improper  
 23 purposes,' such as the use of records to . . . release trade secrets." *Id.*

24 For the reasons stated above, the public disclosure of the commercially sensitive payment  
 25 terms and duration would harm IBM's active and substantial patent licensing business. King  
 26 Decl. ¶¶ 4-6. For these reasons, IBM seeks to ensure that any exhibit or demonstrative and any

1 testimony regarding the terms of its license(s) with Motorola entities be kept confidential; that  
2 the courtroom be cleared during such publication, testimony or argument and that any such  
3 exhibit be sealed in the record.

4  
5 DATED this 29th day of October, 2012.

6 BYRNES KELLER CROMWELL LLP

7  
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17 Attorneys for Nonparty International Business  
18 Machines

**CERTIFICATE OF SERVICE**

The undersigned attorney certifies that on the 29th day of October, 2012, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to all counsel on record in the matter.

/s/ John A. Tondini

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